



**CITY OF ALEXANDRIA
FLEXIBLE HOMEOWNERSHIP ASSISTANCE PROGRAM
(Updated February 2018)**

PURPOSE

The purpose of the Flexible Homeownership Assistance Program (FHAP) is to assist lower-income first time homebuyers to purchase homes by providing financial assistance with downpayment, principal reduction and/or closing costs associated with home purchase. Since July 2012, FHAP assistance may only be used toward the purchase of unit being marketed by the City of Alexandria's Office of Housing. Eligible properties include resale Affordable Homeownership Set-aside Units, Resale Restricted Homeownership Units, and properties sold through the Neighborhood Stabilization Program.

FUNDING SOURCES

First Trust Financing

Homebuyers participating in the FHAP must seek a mortgage preapproval from a participating lender. The Office of Housing maintains a list of lenders who have reviewed and approved the program design and loan documents.

Below-market interest rate first trust financing provided by the Virginia Housing Development Authority (VHDA) is encouraged, though not required. The Office of Housing may request that the loan officer complete a Lender's Certification Form, which compares a non-VHDA loan, if offered, to a comparable VHDA loan.

City's Financial Assistance

The funding sources for the City's FHAP financial assistance are the federal HOME Program the Community Development Block Grant (CDBG) Program, and the City's Housing Trust Fund (HTF). Except in limited circumstances, the maximum assistance to the homebuyer is \$50,000 provided as a no-interest, equity share loan. Income and assistance limits are updated annually. Program participants should contact the Office of Housing or visit the webpage www.alexandriava.gov/housing to ensure that applicable limits are being used.

ELIGIBILITY CRITERIA

Applicants

- Individuals or families must have resided or worked within the corporate limits of the City of Alexandria for at least six months prior to application. The FHAP is intended to assist first-time homebuyers. For the purposes of the FHAP and VHDA, first-time homebuyer is defined as having no prior ownership interest in real property in the most recent three year period. Exceptions may be granted based on the termination of prior ownership associated

with a divorce.

- Applicants shall have incomes at or below the applicable limits in place for the property being marketed. These limits are based on family size, and typically adjusted annually by the US Department of Housing and Urban Development (HUD). In determining gross household income, the Office of Housing uses the HUD guidebook *Technical Guide for Determining Income and Allowances for the HOME Program*.
- The City generally follows the eligibility/qualification rules of VHDA's first trust financing, with such exceptions as the City's requirement that applicants live or work within Alexandria's corporate limits for a minimum of 6 months prior to applying for the program.
- The City uses a standard housing cost-to-income ratio of 32% and a total debt-to-income ratio of 41%. While these are target ratios, variations may be approved with compensating factors.
- If the lender determines that an applicant does not qualify for a VHDA loan product but can qualify for another loan product, a loan comparison is not necessary, but the lender must provide the Office of Housing, in writing, the reason for the determination regarding the VHDA loan.
- An applicant cannot have a net worth exceeding fifty percent of the sales price of the property being purchased. The value of life Insurance policies, retirement plans, furniture and household goods shall not be included in determining net worth. In addition, the portion of the applicant's liquid assets which are used to make the down payment and to pay closing costs, up to a maximum of 25% of the sales price, will not be included in the net worth calculation. Any income producing assets needed as a source of income in order to meet the minimum income requirements for a VHDA loan will not be included in the applicant(s) net worth for the purpose of determining whether this net worth limitation has been violated.
- If, for any reason, the borrower puts down more than the required amount of cash to purchase a property, the additional cash will be applied to the cost of the property purchase. No funds will be returned to the purchaser at closing when FHAP funds are used.

Property

- Homes purchased by individuals or families receiving assistance under this program must be located within the corporate limits of Alexandria.
- Properties purchased may be single-family detached, semi-detached, duplex, rowhouse or apartment; under fee simple, condominium or cooperative ownership.

AMOUNT OF ASSISTANCE PROVIDED AND GENERAL TERMS OF LOAN

- The maximum subsidy allowed is \$50,000. The amount of the City's assistance, up to the \$50,000 maximum, is determined by the purchaser's gross household income, based on family size, combined with the purchaser's need for the assistance. If City financing is not needed for downpayment assistance or principal reduction, the City may provide assistance to be used solely for closing costs. Participants in the program must pay a minimum of \$2,000 or \$3,000 of the required settlement and/or down payment costs.
- The total amount of the subsidy, up to the maximum allowed, will be placed as a second trust

against the property at 0% interest. The loan will be recaptured upon resale, or in 99 years, whichever comes first. While the City's financing is provided at no-interest, the City's loan features a shared equity component, meaning that the purchaser will be required to share future price appreciation with subsequent buyers. The equity share is determined by dividing the City loan amount by the purchase price of the property.

- An anti-speculation surcharge will be imposed on the City's loan if the purchaser(s) sells the property within five years from the date of purchase. The surcharge begins at 25% during the first year and decreases by 5% in each subsequent year until reaching zero.

LOAN ROLLOVER

- As an incentive for FHAP loan recipients to remain in Alexandria, a one-time rollover of City homeownership assistance is authorized for loan recipients (excluding purchasers of set-aside units in new developments who also have FHAP loans) who sell the home that the City assisted them to buy, and immediately purchase a subsequent home within the City. In order to qualify for the rollover, loan recipients would have to be income eligible for FHAP at the time of the sale, and must have resided in the assisted home for at least five years the period of time required to avoid the anti-speculation surcharge).

Properties are available on a first-come, first-served basis. Interested participants should ensure that they have secured a lender preapproval and a VHDA training certificate prior to writing an offer to purchase. In certain cases, such as the concurrent release of multiple Affordable Set-aside Homeownership Units, the Office of Housing may use a lottery system to select buyers.